Moretele Local Municipality
Annual Financial Statements
for the year ended 30 June 2013
Auditor-General of South Africa

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	NW 371
Mayoral committee	
Executive Mayor	Lehari JS
Speaker	Motsepe KL
Single Whip	Magongwa JL
Councillors	Baloyi BW
	Bhiya MM
	Golele KJ
	Hlongwane JR
	Kau MJ
	Kekane RAM
	Kgoele MN
	Khoza M
	Lehele MM
	Letebele LM
	Letlhabi PS
	Mabasa RD
	Mabika DM
	Maimane ML
	Makgamatho DM
	Makhathulela GM
	Makhubela JM
	Makhudu MP
	Makwela JM
	Maluleka MB
	Manamela ND
	Mangema BM
	Mathatho S
	Matheba RH
	Mbekwa DBS
	Mboweni EG
	Mleta NK
	Moetji MM
	Mogale MA
	Mokadi LK
	Mokondo KR
	Molefe KJ
	Molobi ME
	Moloisane PM
	Monaheng MA
	Moraka KO
	Moseki PK
	Mosipa ME
	Mosupye RJ
	Motselele ME
	Ngobeni TT
	Ramadi MA
	Rambawa MM
	Rampou MT

General Information

	Sankoane DD Seemela DN Sekhalolela TL Semenya SM Setlhare ME Songola ME
Grading of local authority	Grade 3
Capacity of local authority	Low capacity
Accounting Officer	Makobela FT
Chief Finance Officer (CFO)	Rampedi MN
Registered office	Municipal Offices 4065B Mathibestad North West Province South Africa
Business address	Municipal Offices 4065B Mathibestad North West Province South Africa
Postal address	Moretele Local Municipality Private Bag X 367 Makapanstad South Africa 0404
Bankers	ABSA Bank (Pretoria North)
Auditors	Auditor-General of South Africa
Attorneys	Mosire Tslane & Associates

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The reports and statements set out below comprise the annual financial statements presented to the Council:

Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page x.

The annual financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Accounting Officer (acting)
Mabokela FT

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 Restated
Assets			
Current Assets			
Cash and cash equivalents	3	805 131	31 361 079
Inventories	4	543 064	589 096
Receivables from exchange transactions	5	14 781 634	12 392 072
Receivables from non-exchange transactions	6	3 826 301	2 690 795
VAT receivable	7	8 305 058	158 736
		28 261 188	**47 191 778**
Non-Current Assets			
Investment property	8	2 317 500	2 317 500
Property, plant and equipment	9	469 209 945	351 108 809
Investment in controlled entities	10	1	1
		471 527 446	**353 426 310**
Total Assets		**499 788 634**	**400 618 088**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	122 592 837	99 313 107
Finance lease obligation	12	-	1 324 445
Unspent conditional grants and receipts	13	18 872 555	40 585 390
Provisions	14	-	50 000
Illegal landfill closure liability	16	30 238 040	28 526 453
Long service award liability	15	1 905 000	1 359 000
		173 608 432	**171 158 395**
Non-Current Liabilities			
Finance lease obligation	12	116 890	116 890
Total Liabilities		**173 725 322**	**171 275 285**
Net Assets		**326 063 312**	**229 342 803**
Accumulated surplus		326 063 312	229 342 803

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 Restated
Revenue			
Service charges	18	19 180 404	18 386 079
Rental of facilities and equipment		101 745	21 645
Other income		2 429 581	586 836
Interest received	19	5 305 084	9 139 866
Property rates	20	3 807 069	2 459 130
Government grants & subsidies	21	292 567 258	210 120 154
Total revenue		**323 391 141**	**240 713 710**
Expenditure			
Employee cost	27	(49 417 571)	(39 708 878)
Remuneration of councillors	28	(14 784 304)	(13 836 854)
Administration		-	(11 582)
Depreciation and amortisation	26	(4 921 982)	(11 556 698)
Impairment loss		-	(6 492 757)
Finance costs	29	(93 163)	(403 332)
Debt impairment	25	(12 689 454)	(36 035 522)
Repairs and maintenance		(10 518 254)	(5 902 681)
Bulk purchases	23	(42 513 174)	(45 860 357)
Contracted services	24	(14 332 779)	(5 727 842)
General expenses	30	(77 399 951)	(54 166 100)
Total expenditure		**(226 670 632)**	**(219 702 603)**
Operating surplus		**96 720 509**	**21 011 107**
Surplus for the year		**96 720 509**	**21 011 107**
Attributable to:			
Owners of the controlling entity		96 720 509	21 011 107

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Adjustments		
Prior year adjustments	74 031 000	74 031 000
Balance at 01 July 2011	**208 331 696**	**208 331 696**
Changes in net assets		
Surplus for the year	21 011 107	21 011 107
Total changes	21 011 107	21 011 107
Balance at 01 July 2012	**229 342 803**	**229 342 803**
Changes in net assets		
Surplus for the year	96 720 509	96 720 509
Total changes	96 720 509	96 720 509
Balance at 30 June 2013	**326 063 312**	**326 063 312**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012 Restated
Cash flows from operating activities			
Receipts			
Services		20 597 911	14 664 811
Grants		270 854 423	218 468 948
Interest income		5 305 084	9 139 866
Other receipts		1 395 820	1 408 804
		298 153 238	243 682 429
Payments			
Employee costs		(61 448 288)	(52 752 101)
Suppliers		(133 934 023)	251 310 142
Finance costs		(93 163)	(403 332)
		(195 475 474)	198 154 709
Net cash flows from operating activities	32	**102 677 764**	**441 837 138**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(131 792 377)	(88 094 948)
Proceeds from sale of financial assets		-	1 299 999
Net cash flows from investing activities		**(131 792 377)**	**(86 794 949)**
Cash flows from financing activities			
Movement in reserves		-	(356 949 590)
Finance lease payments		(1 441 335)	(5 978 562)
Net cash flows from financing activities		**(1 441 335)**	**(362 928 152)**
Net increase / (decrease) in cash and cash equivalents		**(30 555 948)**	**(7 885 963)**
Cash and cash equivalents at the beginning of the year		31 361 079	39 247 042
Cash and cash equivalents at the end of the year	3	**805 131**	**31 361 079**

Moretele Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	28 348 547	-	**28 348 547**	19 180 404	**(9 168 143)**	1
Rental fees on facilities	22 332	(59 000)	**(36 668)**	101 745	**138 413**	2
Other income	179 288	900 000	**1 079 288**	2 429 581	**1 350 293**	4
Interest received - investment	10 091 017	-	**10 091 017**	5 305 084	**(4 785 933)**	
Total revenue from exchange transactions	**38 641 184**	**841 000**	**39 482 184**	**27 016 814**	**(12 465 370)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 608 428	1 500 000	**4 108 428**	3 807 069	**(301 359)**	
Government grants & subsidies	170 935 325	(3 000 000)	**167 935 325**	292 567 258	**124 631 933**	5
Total revenue from non-exchange transactions	**173 543 753**	**(1 500 000)**	**172 043 753**	**296 374 327**	**124 330 574**	
Total revenue	**212 184 937**	**(659 000)**	**211 525 937**	**323 391 141**	**111 865 204**	
Expenditure						
Employee cost	(54 125 845)	4 571 784	**(49 554 061)**	(49 417 571)	**136 490**	
Remuneration of councillors	(14 299 422)	(420 000)	**(14 719 422)**	(14 784 304)	**(64 882)**	
Depreciation and amortisation	500 000	1 800 000	**2 300 000**	(4 921 982)	**(7 221 982)**	6
Finance costs	-	(23 000)	**(23 000)**	(93 163)	**(70 163)**	7
Debt impairment	(18 030 790)	5 043 122	**(12 987 668)**	(12 689 454)	**298 214**	8
Repairs and maintenance	(6 412 995)	599 901	**(5 813 094)**	(10 518 254)	**(4 705 160)**	9
Bulk purchases	(54 456 253)	(1 424 080)	**(55 880 333)**	(42 513 174)	**13 367 159**	10
Contracted services	(11 424 367)	(2 795 000)	**(14 219 367)**	(14 332 779)	**(113 412)**	11
General expenses	(192 958 121)	259 274	**(192 698 847)**	(77 399 951)	**115 298 896**	12
Total expenditure	**(351 207 793)**	**7 612 001**	**(343 595 792)**	**(226 670 632)**	**116 925 160**	
Surplus	**(139 022 856)**	**6 953 001**	**(132 069 855)**	**96 720 509**	**228 790 364**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(139 022 856)**	**6 953 001**	**(132 069 855)**	**96 720 509**	**228 790 364**	

1. Service charges : Delay in appointment of refuse removal service and implementation of the charges.

2. Rental income : New lease contracts entered into for the current year with adverse market related conditions (interest rates etc.)

3. Interest received : Negative changes in interest rates.

4. Other income : Projections based on anticipated facility rentals and tender documents sales which are dependent on variable factors.

5. Government grants and other subsidies : Grants allocated by North West Treasury and relevant departments which cannot be projected with full accuracy. The split between the Grants are : Operational grants and subsidies = R 153,615,526.00 and Capital grants = R 138,951,732.00.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

8. Depreciation and impairment loss : Misstatement of assets leading to misbudgeting due to the 2 year audit backlog.

9. Finance costs : Delay in new IT contract entered into.

10. Debt impairment : Due to misstatements, projections were based on incorrect opening balances.

11. Repairs and maintenance : Lack of Operations & Maintenance gives way to eroding infrastructure.

12. Bulk purchases : Water supply shortage for the months of December, January and February reduced the City of Tswane invoicing therefor less actual expenditure as what was budgeted for.

13. General expenses : Stringent cost curtailment measures were applied.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require material adjustment to the carrying value.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including historic recoverability and future cashflows, together with economic factors such as inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses .

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	30
Furniture and fixtures	7 - 10
Motor vehicles	5 - 7
IT equipment	3 - 5
Infrastructure	20
Community	30
Tools and loose gear	2 - 5

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.3 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statue, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Accounting Policies

1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average useful life(years)
Computer software	3 - 5

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:
- Financial instruments at amortised cost.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.7 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a additional leave days, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability will be included in the Leave day accrual calculated at year end. The additional leave days accumulated due to long service, will be forfeited within twelve months of date on which the additional leave days are accrued.

1.12 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes :

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.15 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 34 for detail.

Accounting Policies

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconcilation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Accounting Policies

1.24 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

2. New standards and interpretations (continued)

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

2. New standards and interpretations (continued)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note - Changes in accounting policy.

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt following standards and interpretations.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomed effective.

The impact of the standard is currently being assessed.

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 846	-
Bank balances	675 681	31 356 557
Short-term deposits	126 604	4 522
	805 131	**31 361 079**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
ABSA - Primary bank account cheque account - 405 331 7014	675 681	1 695 325	2 245 778	675 681	1 695 325	2 244 328
ABSA - Salaries account - 405 497 6564	-	17 621	43 869	-	17 621	(43 869)
ABSA - Grants account - 405 497 7536	-	29 643 611	36 851 240	-	29 643 611	36 851 240
ABSA - Call account - 910 601 3116	-	4 522	3 257	-	4 522	3 257
ABSA - Call account - 407 953 2472	126 604	-	-	126 604	-	-
Total	**802 285**	**31 361 079**	**39 144 144**	**802 285**	**31 361 079**	**39 054 956**

4. Inventories

Consumable stores	543 064	589 096

Figures in Rand	2013	2012

5. Receivables from exchange and non-exchange transactions

Gross balances		
Rates	5 011 907	7 611 477
Water	45 904 955	32 926 305
Refuse	6 221 340	3 599 565
Other services	14 687 026	14 061 649
	71 825 228	**58 198 996**
Less: Allowance for impairment		
Rates	(1 982 712)	(6 636 105)
Water	(38 476 149)	(24 609 466)
Refuse	(3 316 171)	(3 596 689)
Other services	(13 268 562)	(10 964 664)
	(57 043 594)	**(45 806 924)**
Net balance		
Rates	3 029 195	975 372
Water	7 428 806	8 316 839
Refuse	2 905 169	2 876
Other services	1 418 464	3 096 985
	14 781 634	**12 392 072**
Included in above is receivables from exchange transactions		
Water	7 428 806	8 316 839
Refuse	2 905 169	2 876
Other services	1 418 464	3 096 985
	11 752 439	**11 416 700**
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	3 029 195	975 372
Net balance	**14 781 634**	**12 392 072**
Rates		
Current (0 - 30 days)	275 612	195 828
31 - 60 days	90 225	195 637
61 - 90 days	71 116	195 637
91 - 120 days	1 770 079	195 635
121 - 365 days	822 163	192 635
	3 029 195	**975 372**
Water		
Current (0 - 30 days)	1 403 834	1 198 964
31 - 60 days	1 335 762	1 036 609
61 - 90 days	1 330 307	2 540 935
91 - 120 days	2 048 455	1 754 679
121 - 365 days	1 310 448	1 785 652
	7 428 806	**8 316 839**

Figures in Rand	2013	2012

5. Receivables from exchange and non-exchange transactions (continued)

Refuse		
Current (0 - 30 days)	726 851	2 876
31 - 60 days	726 466	-
61 - 90 days	726 346	-
91 - 120 days	725 506	-
121 - 365 days	-	-
	2 905 169	**2 876**

Other services		
31 - 60 days	307 766	365 939
61 - 90 days	294 531	712 300
91 - 120 days	275 534	691 948
121 - 365 days	263 663	701 913
> 365 days	276 970	624 885
	1 418 464	**3 096 985**

Figures in Rand	2013	2012

5. Receivables from exchange and non-exchange transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 - 30 days)	2 492 687	1 936 797
31 - 60 days	2 388 227	2 133 253
61 - 90 days	2 506 046	3 609 715
91 - 120 days	3 363 706	2 819 431
121 - 365 days	14 636 641	24 596 573
> 365 days	41 395 197	16 814 989
	66 782 504	51 910 758
Less: Allowance for impairment	(57 059 428)	(40 447 720)
	9 723 076	**11 463 038**

Industrial/ commercial		
Current (0 - 30 days)	98 757	96 505
31 - 60 days	32 188	96 043
61 - 90 days	31 863	95 970
91 - 120 days	1 165 990	96 044
121 - 365 days	140 571	1 533 905
> 365 days	1 368 856	1 136 211
	2 838 225	3 054 678
Less: Allowance for impairment	(1 519 271)	(2 707 969)
	1 318 954	**346 709**

National and provincial government		
Current (0 - 30 days)	70 224	96 667
31 - 60 days	54 242	95 956
61 - 90 days	37 157	95 481
91 - 120 days	418 765	93 942
121 - 365 days	1 023 974	2 031 635
> 365 days	600 137	819 882
	2 204 499	3 233 563
Less: Allowance for impairment	(727 344)	(2 651 235)
	1 477 155	**582 328**

Total		
Current (0 - 30 days)	2 661 668	2 129 969
31 - 60 days	2 474 656	2 325 252
61 - 90 days	2 575 066	3 801 165
91 - 120 days	4 948 462	3 009 417
121 - 365 days	15 801 186	28 162 113
> 365 days	43 364 190	18 771 081
	71 825 228	58 198 997
Less: Allowance for impairment	(57 043 594)	(45 806 925)
	14 781 634	**12 392 072**

Less: Allowance for impairment		
90 - 120 days	(57 043 594)	(45 806 924)

Figures in Rand	2013	2012

5. Receivables from exchange and non-exchange transactions (continued)

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	(45 806 924)	(64 496 316)
Allowance for impairment	(11 236 670)	-
Reversal of allowance	-	18 689 392
	(57 043 594)	**(45 806 924)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 4 months past due are not considered to be impaired. At 30 June 2013, R 2 673 244 (2012: R 3 305 085) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2 460 217	1 598 185
2 months past due	2 422 300	1 754 679
3 months past due	4 819 574	2 642 262

6. Receivables from non-exchange transactions

Bojanala District Municipality	1 294 895	1 294 895
Other receivables	2 525 241	68 875
Sizwe Auctioneers	6 165	1 327 025
	3 826 301	**2 690 795**

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions

7. VAT receivable

VAT receivable	8 305 058	158 736

8. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	2 317 500	-	2 317 500	2 317 500	-	2 317 500

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	2 317 500	2 317 500

8. Investment property (continued)

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	2 317 500	2 317 500

Pledged as security

No assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality initially recognised investment property using fair values as determined by a professional valuer and recognised as deemed cost effective 01 July 2012. The market in which the investment property is stagnant and the fair values of the investment property was determined as R 2,317,500.00 for respective years. No fair value adjustment was transferred to the statement of comprehensive income for the year ended 30 June 2013.

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	22 888 993	(4 229 363)	18 659 630	22 888 993	(3 241 993)	19 647 000
Furniture and fixtures	5 139 626	(1 143 124)	3 996 502	5 567 836	(1 042 766)	4 525 070
Motor vehicles	7 769 165	(1 704 713)	6 064 452	8 088 629	(1 704 714)	6 383 915
IT equipment	20 349 572	(18 583 269)	1 766 303	9 659 656	(7 354 800)	2 304 856
Infrastructure	638 101 248	(273 966 794)	364 134 454	571 514 231	(273 966 793)	297 547 438
Community	79 253 927	(4 905 195)	74 348 732	24 376 866	(3 982 866)	20 394 000
Tools and loose gear	1 979 818	(1 739 946)	239 872	386 457	(79 927)	306 530
Total	**775 482 349**	**(306 272 404)**	**469 209 945**	**642 482 668**	**(291 373 859)**	**351 108 809**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	19 647 000	-	-	(987 370)	18 659 630
Furniture and fixtures	4 525 070	393 900	-	(922 468)	3 996 502
Motor vehicles	6 383 915	-	-	(319 463)	6 064 452
IT equipment	2 304 856	1 165 141	-	(1 703 694)	1 766 303
Infrastructure	297 547 438	40 409 288	34 946 988	(8 769 260)	364 134 454
Community	20 394 000	-	54 877 060	(922 328)	74 348 732
Plant and equipment	306 530	-	-	(66 658)	239 872
	351 108 809	**41 968 329**	**89 824 048**	**(13 691 241)**	**469 209 945**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	18 517 176	3 572 037	(590 762)	(1 851 451)	19 647 000
Furniture and fixtures	5 182 416	-	(657 346)	-	4 525 070
Motor vehicles	6 703 380	-	(319 465)	-	6 383 915
IT equipment	4 971 308	243 144	(2 909 596)	-	2 304 856
Infrastructure	301 364 883	4 006 818	(7 824 263)	-	297 547 438
Community	22 949 545	896 962	(771 052)	(2 681 455)	20 394 000
Plant and equipment	350 220	-	(43 690)	-	306 530
	360 038 928	**8 718 961**	**(13 116 174)**	**(4 532 906)**	**351 108 809**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Investment in controlled entities

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Moretele Local Development Agency	Moretele Local Municipality	100.00 %	100.00 %	1 300 000	1 300 000
				1 300 000	1 300 000
Impairment of investment in controlled entities		- %	- %	(1 299 999)	(1 299 999)
				1	**1**

The carrying amounts of controlled entities are shown net of impairment losses.

The council has made a decision to liquidate the municipal entity, leading to the impairment of the value. The impairment is recognised in the statement of financial position.

11. Payables from exchange transactions

	2013	2012
Trade payables	69 291 988	77 484 002
Payments received in advanced	684 935	135 015
Other payables	1 441 620	1 090 781
Retentions	2 425 261	6 198 634
Accrued leave pay	2 899 679	1 917 108
13th cheque	796 598	1 172 305
Accrued expenses	45 052 756	11 315 262
	122 592 837	**99 313 107**

Figures in Rand	2013	2012

12. Finance lease obligation

Minimum lease payments due		
- within one year	116 890	1 383 989
- in second to fifth year inclusive	-	123 710
	116 890	1 507 699
less: future finance charges	(7 544)	(66 364)
Present value of minimum lease payments	**109 346**	**1 441 335**

Present value of minimum lease payments due		
- within one year	116 890	116 890
- in second to fifth year inclusive	-	1 324 445
	116 890	**1 441 335**

Non-current liabilities	116 890	116 890
Current liabilities	-	1 324 445
	116 890	**1 441 335**

It is municipality policy to lease certain IT equipments under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2012: 16%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	13 492 102	38 928 875
Department of Water and Forestry Grant	2 425 279	-
Library Grant	342 937	414 420
Other Grants	559 158	559 158
North West Sport - Maubane Cultural Village	500 000	500 000
Clean Communities Project Grant	-	142 860
Fire and Emergency Grant	192 142	-
Financial Management Grant	1	40 077
Expanded Public Works Project Grant	1 360 936	-
	18 872 555	**40 585 390**

Movement during the year

Balance at the beginning of the year	40 585 390	9 037 542
Additions during the year	116 449 000	104 794 000
Income recognition during the year	(138 161 835)	(73 246 152)
	18 872 555	**40 585 390**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

See note 21 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

14. Provisions

Reconciliation of provisions - 2013

	Opening balance	Reversed during the year	Total
Legal proceedings	50 000	(50 000)	-

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Legal proceedings	-	50 000	50 000

Legal proceedings provision

No provision for legal fees due to the fact that no litigation matters indicated to be feasible to realise in the 12months to come. Refer however to the contingent liability note.

15. Long service award liability

As per government gazette an employee shall qualify for long service reward in terms of leave days credits for the various periods of continuous service completed at the same employer as follows :

> After 10 years of service - 10 working days
> After 15 years of service - 20 working days
> After 20 years of service - 30 working days
> After 25 years of service - 30 working days
> After 30 years of service - 30 working days
> After 35 years of service - 30 working days
> After 40 years of service - 30 working days
> After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which employee qualifies or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuations of Assets
The long service leave award liability of the municipality is unfunded. No dedicated assets have been set aside to meet this liability.

Figures in Rand	2013	2012

15. Long service award liability (continued)

Changes in the present value		
Opening balance	1 359 000	818 000
Current service cost	235 000	140 000
Interest cost	116 000	76 000
Benefits paid	(34 000)	(19 000)
Actuarial loss/(gain)	229 000	344 000
	1 905 000	**1 359 000**

Net expense recognised in the statement of financial performance		
Current service cost	235 000	140 000
Interest cost	116 000	76 000
Actuarial loss/(gain)	229 000	344 000
	580 000	**560 000**

Key assumptions		
Discount rate	7.40%	7.92%
Consumer price inflation	5.66%	5.74%
Salary increase rate	6.66%	6.74%
Net effective discount rate	0.69%	1.11%
	20.41%	**21.51%**

The effect of a 1% p.a. change in the normal salary inflation assumption as follows :		
Total accrued liability	2 098 000	1 735 000
Current service cost	353 000	285 000
Interest cost	167 000	138 000
	2 618 000	**2 158 000**

The amounts for the current annual reporting period and previous reporting period :		
Present value of obligation	1 905 000	1 359 000

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

16. Illegal landfill closure liability

Reconciliation of liabilities - 2013

	Opening balance	**Additions**	**Total**
Illegal landfill closure liability	28 526 453	1 711 587	30 238 040

Reconciliation of liability - 2012

	Opening balance	**Additions**	**Total**
Illegal landfill closure liability	26 911 748	1 614 705	28 526 453

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Illegal landfill closure liability (continued)

Moretele Local Municipality previously used 3 landfill sites (Bosplaas East, Makapanstad and Bosplaas West), however dumping at these sites ceased in 2009.

In terms of the Environmental act of South Africa, the municipality is obliged to restore the land to its original state. As a result the municipality has valued the cost of restoring the land as disclosed in the financial statements.

17. Revenue

Service charges	19 180 404	18 386 079
Rental of facilities and equipment	101 745	21 645
Other income	2 429 581	586 836
Interest received	5 305 084	9 139 866
Property rates	3 807 069	2 459 130
Government grants & subsidies	292 567 258	210 120 154
	323 391 141	**240 713 710**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	19 180 404	18 386 079
Operating lease income	101 745	21 645
Other income	2 429 581	586 836
Interest received	5 305 084	9 139 866
	27 016 814	**28 134 426**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	3 807 069	2 459 130
Transfer revenue		
Government grants & subsidies	292 567 258	210 120 154
	296 374 327	**212 579 284**

18. Service charges

Sale of water	16 105 547	18 386 079
Refuse removal	3 074 857	-
	19 180 404	**18 386 079**

19. Investment revenue

Interest revenue		
Bank	1 782 294	713 869
Interest on investments	118 327	-
Interest on outstanding levies	3 404 463	8 425 997
	5 305 084	**9 139 866**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

20. Property rates

Rates received

Residential	1 033 180	1 031 557
Commercial	1 376 117	1 376 117
State	1 801 176	454 860
Farms	8 110	8 110
Community	15 526	15 526
Less: Income forgone	(427 040)	(427 040)
	3 807 069	**2 459 130**

Figures in Rand	2013	2012

21. Government grants and subsidies

Operating grants		
Donations President visit	-	350 000
Water operation subsidy	915 526	-
Equitable share	152 700 000	136 874 000
	153 615 526	137 224 000
Capital grants		
Clean communities project	142 860	1 327 940
North West Provincial grant	-	2 310 434
Library grant	71 483	1 293 468
Bojanala Platinum District Municipality	-	10 900 000
Fire and Emergency grant in aid	107 858	-
Finance Management grant	1 540 076	1 442 768
Expanded Public Works Program grant	808 064	1 926 000
Municipal Systems Improvement grant	800 000	1 000 000
Department of Water and Forestry grant	6 069 619	3 205 000
Municipal Infrastructure grant	129 411 772	49 490 544
	138 951 732	72 896 154
	292 567 258	**210 120 154**

Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	138 216 732	72 896 154
Unconditional grants received	153 615 526	137 224 000
	291 832 258	**210 120 154**

Municipal Infrastructure Grant

Balance unspent at beginning of year	38 928 875	2 706 418
Current - year receipts	103 975 000	85 713 000
Conditions met - transferred to revenue	(129 411 773)	(49 490 543)
	13 492 102	**38 928 875**

The intent of the Municipal Infrastructure grant is to focus on infrastructure required for a basic level of service. It supplements the Equitable Share and allows for more accountability.

No conditions still to be met .Refer to note 13 for the unspent portion of the grant liability at yearend.

Department of Water and Forestry

Current - year receipts	7 705 000	3 205 000
Conditions met - transferred to revenue	(5 279 721)	(3 205 000)
	2 425 279	**-**

The intent of the DWAF grant is to assist municipality to maintain and supply bulk water infrastructure, improve the water and quality of the water resources at the municipality's disposal.

No conditions still to be met, refer however to note 13 for the unspent portion of grant liability at yearend.

Library Grant

Balance unspent at beginning of year	414 420	857 888

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

21. Government grants and subsidies (continued)

Current - year receipts	-	850 000
Conditions met - transferred to revenue	(71 483)	(1 293 468)
	342 937	**414 420**

The intent of the Library grant is to develop the infrastructure and stock of books for local libraries. This remains a provincial function coordinated through the local municipalities.

No conditions still to be met. Refer to note 13 for the unspent portion of grant liability at yearend.

Other Grants

Balance unspent at beginning of year	559 158	559 158

NW Sport - Maubane Cultural Village

Balance unspent at beginning of year	500 000	-
Current - year receipts	-	500 000
	500 000	**500 000**

In terms of the PFMA, the province may allocate money to its local municipalities to support existing programmes or establish new programmes for development in the local municipality.

No conditions still to be met, refer to note 13 for the unspent portion of grant liability at yearend.

Clean Communities Project Grant

Balance unspent at beginning of year	142 860	1 470 800
Conditions met - transferred to revenue	(142 860)	(1 327 940)
	-	**142 860**

As per Provincial Gazette, the Clean communities project grant's intent is to assist municipalities to keep their communities clean.

No conditions still to be met. Refer to note 13 for the unspent portion of grant liability at year end.

Fire & Emergency Grant

Current - year receipts	300 000	-
Conditions met - transferred to revenue	(107 858)	-
	192 142	**-**

Fire and emergency grant's intent is to assist municipalities to upgrade their Fire and emergency services and capacity. (as per Provincial Gazette).

No conditions still to be met. Refer to note 13 for the unspent portion of the grant liability at yearend.

Municipal Systems Improvement Grant

Current - year receipts	800 000	1 000 000
Conditions met - transferred to revenue	(800 000)	(1 000 000)
	-	**-**

Municipal Systems Improvement grant's intent is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, 2000 (MSA) and related legislation and policies.

No conditions still to be met. Refer to note 13 for the unspent portion of the grant liabilty at yearend.

Figures in Rand	2013	2012

21. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	40 077	232 844
Current - year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 540 076)	(1 442 767)
	1	**40 077**

Financial Management grant's intent is to build the capacity in finance management in municipalities and to assist in the roll out of the Municipal Finance Improvement Plan. Part of the grant is used to remunerate interns appointed through this Budget Reform programme.

Refer to note 13 for unspent portion of the grant liability at yearend.

Expanded Public Works Program Grant

Current - year receipts	2 169 000	1 926 000
Conditions met - transferred to revenue	(808 064)	(1 926 000)
	1 360 936	**-**

The Expanded Public works programme grant is the Provincial Government's incentive to local municipalities for using labour intensive construction methods to provide employment opportunities to local unemployed people.

No conditions still to be met. Refer to note 13 for unspent portion of the grant liability at yearend.

Bojanala Platinum District Municipality

Balance unspent at beginning of year	-	900 000
Current - year receipts	-	10 000 000
Conditions met - transferred to revenue	-	(10 900 000)
	-	**-**

District Municipality as per constitution may provide financial assistance to its child municipality. Those are agreed upon during the budget of the District. The Bojanala Platinum District Municipality granted such financial assistance.

No conditions still to be met. Refer to note 13 for unspent portion of the grant liability at yearend.

22. Auditors' remuneration

Fees	3 702 464	592 521

23. Bulk purchases

Electricity	5 009 148	3 545 010
Water	37 504 026	42 315 347
	42 513 174	**45 860 357**

Distribution losses relating to Water purchases were R 31 124 741.99 (2012 : R 34 149 933.64) during the year.

24. Contracted services

Security Services	5 779 167	4 648 082
Cleaning services	8 553 612	1 079 760
	14 332 779	**5 727 842**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

25. Debt impairment

Amounts written off as uncollectible	-	20 348 836
Contributions to allowance for impairment	12 689 454	15 686 686
	12 689 454	**36 035 522**

26. Depreciation and amortisation

Property, plant and equipment	4 921 982	11 556 698

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

27. Employee related costs

Basic	27 457 385	21 957 980
Bonus	1 315 433	2 408 709
Housing benefits and allowances	114 314	115 256
Leave pay provision charge	982 571	(326 462)
Medical aid - company contributions	2 556 550	2 297 518
Interest cost - long service award	116 000	76 000
Actuarial losses / (gains)	229 000	344 000
Service cost - long service award	201 000	121 000
Overtime payments	1 276 988	1 145 515
Post - employment benefits - Pension - Defined contribution plan	5 123 449	4 583 755
SDL	520 763	413 118
Travel, motor car, accommodation, subsistence and other allowances	4 438 451	3 568 218
UIF	267 115	213 275
	44 599 019	**36 917 882**

Remuneration of Mfoloe DM - Municipal Manager (01/07/2011 - 31/01/2012)

Basic salary	-	278 092
Travel allowance	-	107 153
Cellphone allowance	-	1 500
Subsistance allowance	-	1 170
Travel claims	-	8 991
	-	396 906

Remuneration of Maroga IS - Acting Municipal Manager (01/05/2012 - 30/04/2012)

Acting allowance	-	34 385
	-	34 385

Remuneration of Kutumela DA - Municipal Manager (01/05/2012 - 30/06/2013)

Basic salary	563 580	108 080
Travel allowance	188 448	15 704
Cellphone allowance	18 000	1 500
Acting allowance	-	13 302
Subsistance	390	-
Travel claims	25 500	-
	797 918	138 586

Remuneration of Mabokela FT - Acting Municipal Manager (01/12/2012 - 30/06/2013)

	-	-
Acting allowance	102 698	-
	102 698	-
	898 616	**569 877**

Remuneration of Mabokela FT - CFO (01/07/2011 - 30/06/2012) and Deputy CFO (01/07/2012 - 30/06/2013)

Basic salary	549 012	514 102
Travel allowance	183 622	208 001
Cellphone allowance	190 508	-
Subsistance	1 010	610
Travel claims	24 605	10 758
	948 757	733 471

Remuneration of Rampedi MN - CFO (01/10/2012 - 30/06/2013)

	-	-
Basic salary	473 732	-
Travel allowance	158 374	-
Subsistance	1 030	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. Employee related costs (continued)		
Travel claims	16 505	-
	649 641	-
	1 598 398	**733 471**

Remuneration of Makwela MPS - Director Technical Services (01/07/2012 - 30/06/2013)

Basic salary	538 464	-
Travel allowance	180 204	-
Cellphone allowance	17 112	-
	735 780	**-**

Remuneration of Matshabe TJ - Director Corporate and Human Resources (01/11/2011 - 30/06/2013)

Basic salary	437 242	164 619
Travel allowance	187 200	124 800
Cellphone allowance	12 000	8 000
Subsistance	2 340	840
Travel claims	28 135	10 237
	666 917	**308 496**

Remuneration of Maroga IS - Director Social Services (01/07/2011 - 30/06/2012)

Basic salary	291 559	373 030
Travel allowance	124 800	187 200
Cellphone allowance	8 000	12 000
Subsistance	-	1 240
Travel claims	-	20 150
	424 359	**593 620**

Remuneration Motsepe LA - Director Economic Services (01/07/2011 - 28/02/2013)

Basic salary	291 559	373 030
Travel allowance	124 800	187 200
Cellphone allowance	8 000	12 000
Subsistance	810	13 302
Travel claims	8 468	-
	-	-
Remuneration of Ramorula GR - Director Economic Services (01/06/2013 - 30/06/2013)		
Basic salary	44 845	-
Travel allowance	15 000	-
Cellphone allowance	1 000	-
	494 482	**585 532**

TOTAL EMPLOYEE RELATED COSTS	**49 417 571**	**39 708 878**

The salaries paid for the year are within the upper limits of the SALGA Bargaining Council determinations.

Figures in Rand	2013	2012

28. Remuneration of Councillors

	2013	2012
Executive Mayor	643 712	612 640
Single Whip	472 900	447 665
Speaker	521 344	476 867
Mayoral Committee	4 729 002	4 667 466
Councillors	8 417 346	7 632 216
	14 784 304	**13 836 854**

Remuneration per councillor

Executive Mayor	**Remuneration (excl. allowances)**	**Travel allowance**	**Cellphone allowance**	**Total**
Lehari JS	453 345	150 675	39 692	643 712
Single Whip				
Motsepe KL	340 009	113 006	19 885	472 900
Speaker				
Mabongwa JL	362 676	120 540	38 128	521 344
Mayoral committee				
Kau MJ	340 009	113 006	19 886	472 901
Makhudu MP	340 009	113 006	19 886	472 901
Makwela JM	340 009	113 005	19 886	472 900
Manamela ND	340 009	113 005	19 886	472 900
Mangema BM	340 009	113 005	19 886	472 900
Matheba RH	340 009	113 005	19 886	472 900
Mbonweni EG	340 009	113 005	19 886	472 900
Monaheng MA	340 009	113 005	19 886	472 900
Sekhaolela TL	340 009	113 005	19 886	472 900
Setlhare ME	340 009	113 005	19 886	472 900
	3 400 090	**1 130 052**	**198 860**	**4 729 002**
Councillors				
Baloyi BW	136 004	45 202	19 207	200 413
Bhiya MM	136 004	45 202	19 207	200 413
Golele KJ	136 004	45 202	19 207	200 413
Hlongwane JR	136 004	45 202	19 207	200 413
Kekana RAM	136 004	45 202	19 207	200 413
Kgoele MN	136 004	45 202	19 207	200 413
Khoza MB	136 004	45 202	19 207	200 413
Lehele MM	136 004	45 202	19 207	200 413
Letebele LM	136 004	45 202	19 207	200 413
Letlhabi PS	136 004	45 202	19 207	200 413
Mabasa RD	136 004	45 202	19 207	200 413
Mabatle PS	136 004	45 202	19 207	200 413
Mabika DM	136 004	45 202	19 207	200 413
Madise MJ	136 004	45 202	19 207	200 413
Maimane ML	136 004	45 202	19 207	200 413
Makgamatho DM	136 004	45 202	19 207	200 413
Makhathulela GM	136 004	45 202	19 207	200 413
Makhubela J	136 004	45 202	19 207	200 413
Maluleka MB	136 004	45 202	19 207	200 413
Mathatho S	136 004	45 202	19 207	200 413
Mbekwa DBS	136 004	45 202	19 207	200 413
Mleta NK	136 004	45 202	19 207	200 413

Notes to the Annual Financial Statements

Figures in Rand			2013	2012

28. Remuneration of Councillors (continued)

Moetji MM	136 004	45 202	19 207	200 413
Mogale MA	136 004	45 202	19 207	200 413
Mokadi LK	136 004	45 202	19 207	200 413
Mokondo KR	136 004	45 202	19 207	200 413
Molefe KJ	136 004	45 202	19 207	200 413
Molobi ME	136 004	45 202	19 207	200 413
Moloisane P	136 004	45 202	19 207	200 413
Moraka KO	136 004	45 202	19 207	200 413
Moseki PK	136 004	45 202	19 207	200 413
Mosipa ME	136 004	45 202	19 207	200 413
Mosupye RJ	136 004	45 202	19 207	200 413
Motselele ME	136 004	45 202	19 207	200 413
Ngobeni TT	136 004	45 202	19 207	200 413
Ramadi MA	136 004	45 202	19 207	200 413
Rambawa MM	136 004	45 202	19 207	200 413
Rampou MT	136 004	45 202	19 207	200 413
Sankoane DD	136 004	45 202	19 207	200 413
Seemela DN	136 004	45 202	19 207	200 413
Semenya SM	136 004	45 202	19 207	200 413
Songola ME	136 004	45 202	19 207	200 413
	5 712 168	**1 898 484**	**806 694**	**8 417 346**

29. Finance costs

	2013	2012
Bank	93 163	403 332

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

30. General expenses

Accommodation	949 679	729 857
Advertising	460 012	416 619
Assets expensed	181 777	-
Auditors remuneration	3 702 464	592 521
Bank charges	93 106	77 830
Community development and training	842 929	661 956
Computer expenses	76 865	309 885
Conferences and seminars	163 110	802 107
Consulting and professional fees	15 272 561	13 871 158
Consumables	45 384	680 269
Debt collection	3 271 380	3 623 889
Electricity	420 292	1 044 910
Entertainment	875 115	572 982
Free Basic services Water & Electricity	7 108 566	-
Fuel and oil	3 206 566	1 673 667
Grant expenditure	4 147 885	5 309 400
Health and safety	343 745	221 965
Incorporation costs	-	232 665
Insurance	936 773	789 075
Intergrated development planning	191 497	322 789
LED expenditure	4 839 107	1 560 182
Land restoration	1 711 587	1 614 705
Lease rentals on operating lease	2 220 446	138 401
Levies	2 939	2 659
Municipal systems infrastructure grant	17 553 426	6 761 816
Magazines, books and periodicals	1 088 550	23 952
Marketing	225 485	378 109
Mayoral's special projects	1 565 979	2 059 896
Motor vehicle expenses	670 727	685 265
Other expenses	592 384	493 796
Postage and courier	1 328	408 947
Printing and stationery	1 353 904	727 040
Project maintenance costs	253 494	939 099
Software expenses	-	630 782
Subscriptions and membership fees	350	3 160
Subsistance	202 370	337 445
Telephone and fax	-	1 516 537
Training	506 083	2 671 079
Travel - local	959 855	1 279 686
Valuation roll expenses	1 362 231	-
	77 399 951	**54 166 100**

31. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14 781 634	14 781 634
Receivables from non-exchange transactions	-	3 826 301	3 826 301
Cash and cash equivalents	805 131	-	805 131
	805 131	**18 607 935**	**19 413 066**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

	At amortised cost	Total
Trade and other payables from exchange transactions	122 592 837	122 592 837
Finance lease obligation	116 896	116 896
	122 709 733	**122 709 733**

2012

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	14 781 634	14 781 634
Receivables from non-exchange transactions	3 826 301	3 826 301
Cash and cash equivalents	31 361 079	31 361 079
	49 969 014	**49 969 014**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	99 313 107	99 313 107
Finance lease obligation	1 324 445	1 324 445
	100 637 552	**100 637 552**

32. Cash generated from operations

	2013	2012
Surplus	96 720 509	21 011 107
Adjustments for:		
Depreciation and amortisation	4 921 982	11 556 698
Impairment deficit	-	6 492 757
Debt impairment	12 689 454	36 035 522
Movements in provisions	2 207 587	(565 369)
Other non-cash items	(4 349 300)	6 075 855
Movement of capital replacement reserve	-	356 949 590
Changes in working capital:		
Inventories	46 032	624 596
Other receivables from non-exchange transactions	(1 135 506)	800 323
Consumer debtors	(2 389 562)	(6 180 398)
Payables from exchange transactions	23 279 725	(6 604 271)
VAT	(8 146 322)	5 932 934
Unspent conditional grants and receipts	(21 712 835)	8 348 794
Long service award liability	546 000	1 359 000
	102 677 764	**441 837 138**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Tenders - Contractors	53 750 987	-
• Tenders - Consultants	23 172 555	-
• MIG projects	-	38 928 875
	76 923 542	**38 928 875**

This committed expenditure for the year ending 30 June 2013 relates to tender contracts awarded by Moretele Local Municipality of which money spent will be utilised in acquiring property plant and equipment, and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, as well as grants and subsidies awarded by the goverment to the municipality.

The commited expenditure for the year ending 30 June 2012 relates to the MIG Unspent Grant liability which was not cash backed. This amount was rolled over to be utilised in following financial year(s).

34. Contingencies

For the year ending 30 June 2013 no other contingent liabilities to be disclosed due to the fact that the litigation matters to be settled in uncertain future periods relate to Tender contracts (already awarded) which will be commencing in forthcoming financial periods.

35. Related parties

Relationships	
Moretele Local Development Agency	Refer to note 10

No related party transactions were identified during the year.

Notes to the Annual Financial Statements

36. Prior period errors

The correction of the errors / change in accounting policies resulted in adjustments as follows:

1. Increase in Investment interest due to a reversal of a reconciling item in financial period 2011/2012.
2. Increase in Capital grants due to the incorrect accounting for capital grant revenue during the financial period 2011/2012. 3. Increase in Bulk purchases expenses due to the incorrect accounting of expenses during the financial period 2011/2012.
4. Increase in Debt impairment due to the fact that allowance for impairment of Consumable receivables calculated incorrectly.
5. Increase in Repairs and maintenance due to incorrect accounting in financial period 2011/2012.
6. Decrease in Depreciation due to the incorrect accounting of property, plant and equipment in the financial period 2011/2012.
7. Decrease in Finance cost due to the incorrect accounting for the Finance lease obligation in the financial period 2011/2012.
8. Increase in Employee cost due to incorrect accounting for some employee related cost of which the bulk relates to Long service award benefits, service costs and interest relating to Long service awards. The Long service award employee benefit was not accounted for in the financial period 2011/2012..
9. Increase in General expenses due to incorrect accounting of various expenses in financial period 2011/2012.
10. Decrease in inventory due to the overstatement of the balance in 2011/2012.
11. Increase in cash and cash equivalents due to a reconciling item in the 2011/2012 financial period.
12. Decrease in Consumer receivables due to the increase in allowance for impairment in financial period 2011/2012.
13. Decrease in Unspent grant liabilities due to the incorrect accounting of a combination of the grant receipts, grant expenditure and transferred to revenue in financial period for 2011/2012.
14. Decrease in Finance lease obligation as a result of the overstatement of the obligation in financial period 2011/2012.
15. Decrease in Accounts payable due to the correcting of City of Tshwane balances included in Year end sundry balance.
16. Increase in Accrued expenses, bulk of the amount due to the correcting of City of Tshwane balances included in Year end sundry balance.
17. Decrease in Leave pay accrual due to incorrect accrual calculated in the financial period 2011/2012.
18. Increase in the 13th cheque accrual due to incorrect accrual calculated in the financial period 2011/2012.
19. Increase in Landfill site provision that was not accounted for in the prior periods 2010/2011 and 2011/2012 respectively.
20. Increase in Employee benefits liability relating to the Long service award liability that was not accounted for in the 2010/2011 and 2011/2012 financial periods.
21. Decrease in Accumulated depreciation due to the incorrect accounting of Property, plant and equipment in the financial period 2011/2012.
22. Decrease in Property, plant and equipment due to the incorrect accounting in financial period 2011/2012.
23. Increase in VAT payable amount due to the incorrect accouting of VAT amounts in financial period 2011/2012.

Figures in Rand	2013	2012

36. Prior period errors (continued)

Prior period errors consist of the following :		
Adjustments against opening Accumulated Surplus 1 July 2011	-	**53 159 034**
Adjustments affecting the Statement of Financial performance :	-	-
1. Increase in Interest - investments	-	(632)
2. Increase in Capital grants	-	(35 897 428)
3. Increase in Bulk purchases	-	309 841
4. Increase in Debt impairment	-	15 686 686
5. Increase in Repairs and maintenance	-	5 542
6. Decrease in Depreciation	-	(4 427 733)
7. Decrease in Finance cost	-	(259 561)
8. Increase in Employee cost	-	1 742 152
9. Increase in General expenses	-	43 655 765
	-	**20 871 966**
Adjustments affecting the Statement of Financial position :	-	-
10. Decrease in inventory	-	(136 072)
11. Increase in cash and cash equivalents	-	632
12. Decrease in Consumer receivables	-	(15 686 686)
13. Decrease in Unspent grant liability	-	14 079 811
14. Decrease in Finance lease obligation	-	929 729
15. Decrease in Accounts payable	-	6 741 238
16. Increase in accrued expenses	-	(8 686 646)
17. Decrease in Leave pay accrual	-	82 341
18. Increase in 13th Cheque accrual	-	(173 396)
19. Increase in Landfill site liability	-	(28 413 123)
20. Increase in Employee benefits liabilities	-	(1 359 000)
21. Decrease in Accumulated depreciation	-	9 888 187
22. Decrease in Property, plant & equipment	-	(48 809 496)
23. Increase in VAT payable	-	(4 806 020)
	-	**(74 031 000)**

37. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

38. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2013**	**2012**
Receivables from exchange transactions	14 781 634	12 392 072
Receivables from non-exchange transactions	3 826 301	2 690 795
Cash and cash equivalents	805 131	31 361 079

39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to receive funding from goverment.

40. Events after the reporting date

The municipality is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	173 707
Interest on Eskom	31 688	-
Non-claimable VAT input	6 198 959	-
	6 230 647	**173 707**

Interest accrued on outstanding Eskom account.

Non-claimable VAT input amount relates to VAT input not claimable due to lack of supporting documentation.

Expenditure disclosed above are under investigation.

42. Unauthorised expenditure

Councillors cellphone allowances	324 661	25 529

The cellphone allowances for the respective years were above the upperlimits for cellphone allowances as set out in the Goverment Gazette.

43. Irregular expenditure

Opening balance	22 441 499	-
Add: Irregular expenditure - current year	10 728 312	22 441 499
Less: Amounts condoned	1 184 869	-
	34 354 680	**22 441 499**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

43. Irregular expenditure (continued)

Details of irregular expenditure – current year

- Maximum Profit signed a contract in 2009; still ongoing 2013. This is in contravention of section 33 of the MFMA.	3 157 070	
- Mosire Tsiane Attorneys signed a contract in 2008; still ongoing in 2013. This is in contravention of section 33 of the MFMA.	5 930 366	
- Mind Evolution was appointed to facilitate the establishment of a traffic centre for Moretele Local Municipality, however the contractor was given approval to also construct the traffic centre. This was done without adjusting the budget for the project.	1 116 063	
- Ntombi Kabelo Civils' expenditure paid during 2013 exceeded the amount as per appointment letter.	221 620	
- TMDG's expenditure paid during 2013 exceeded the amount as per appointment letter.	303 193	
	10 728 312	

Details of irregular expenditure condoned

	Condoned by		
- The initial agreement with Ikageng Solutions CC, to extend 5 employees with secondment contract to the service provider was cancelled. This resulted in the service provider increasing human resources leading to the budget adjustments.	Council members of Moretele Local Municipality	235 871	
- Main contractor, Best Enough Trading and Projects, for the Waste management collection tender made a request to increase resources and implemented the increase before the approval was finalised. The over claim resulting from the unadjusted budget was condoned.	Council members of Moretele Local Municipality	948 998	
		1 184 869	

Details of irregular expenditure not recoverable (not condoned)

- Irregular expenditure resulting from the Municipality being in contravention with section 33 of the MFMA.	9 087 43
- Mind Evolution was appointed to facilitate the establishment of a traffic centre for Moretele Local Municipality, however the contractor was given approval to construct the traffic centre in addition. This was done without adjusting budget approval.	1 116 06
- Ntombi Kabelo Civils' expenditure paid during 2013 exceeded the amount as per appointment letter.	221 62
- TMDG's expenditure paid during 2013 exceeded the amount as per appointment letter.	303 19
	10 728 31

Figures in Rand	2013	2012

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year fee	1 042 436	-

Contributions disclosed above relates to SALGA fees.

Material losses through criminal conduct

Current year losses	-	173 707

Amounts disclosed above relate to R 85,707.00 loss due to Telkom fraud.

Losses disclosed above are also disclosed under fruitless & wasteful expenditure. Refer to note 38.

Audit fees

Current year fee	3 702 464	592 521
Amount paid - current year	(3 702 464)	(535 187)
	-	**57 334**

PAYE and UIF

Current year amount	9 390 386	7 498 597
Amount paid - current year	(8 602 488)	(7 498 597)
	787 898	**-**

Amount outstanding as at 30 June 2013 is included in Salary accrued expenses.

Pension and medical aid deductions

Current year amount	11 243 705	10 175 572
Amount paid - current year	(10 246 586)	(10 175 572)
	997 119	**-**

Amount outstanding as at 30 June 2013 is included in Salary accrued expenses.

VAT

VAT receivable	8 305 058	158 736

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Baloyi BW	594	-	594
Golele KJ	98	-	98
Kgoele MN	600	-	600
Mabasa RD	224	-	224
Mabika DM	597	-	597
Makgamatho DM	1 133	-	1 133
Mleta NK	3 058	-	3 058
Mogale MA	594	-	594
Molefe KJ	483	-	483
Monaheng MA	43	-	43
Motselele ME	1 242	-	1 242
Ngobeni TT	1 722	-	1 722
Ramadi MA	729	-	729
Sankoane DD	594	-	594
	11 711	**-**	**11 711**

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council meeting and includes a note to the annual financial statements.

Supply chain procedures were not followed in the procurement process of supplies amounting to R 1,181,549.15, from various suppliers where three quotations were not obtained resulting in the deviation from supply chain regulations.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

46. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% for the following accounts :
- depreciation and impairment loss function was due to misstatement of assets leading to misbudgeting due to the 2 year audit backlog.
- finance costs due to the delay in the new IT contract entered into during the year.
- repairs and maintenance due to the lack of O&M gives way to eroding infrastructure.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages x to x in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages x to x in the annual report

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Local Government Equitable Share grant	National Treasury	-	-	64 856	48 931	38 913	-	-	-	-	-	-	2 986	-	-	-	Non approval of roll-over amounts requested fo r 2010/11 financial year gelating to FMG, MSIG and DWAF grants respectively.	Yes	
Municipal Systems Improvement grant	National Treasury	-	-	800	-	-	-	(327)	(183)	(67)	(223)	-	-	-	-	-		Yes	
Financial Management grant	National Treasury	-	-	1 500	-	-	-	(776)	(139)	(230)	(396)	-	-	-	-	-		Yes	
Expanded Public Works Programme grant	National Treasury	-	-	867	651	651	-	-	(808)	(1 529)	-	-	-	-	-	-		Yes	
Department of Water and Forestry grant	National Treasury	-	-	735	5 500	735	-	(3 523)	(1 296)	(860)	(1 441)	-	-	-	-	-		Yes	
Municipal Infrastructure grant	National Treasury	-	-	40 324	37 319	26 332	-	05 879)	28 607)	15 065)	33 656)	-	-	-	-	-		Yes	
Fire and emergency grant in aid	Provincial Disaster Centre	-	-	300	-	-	-	(108)	-	-	-	-	-	-	-	-		Yes	
Library grant	Department of Sports, Arts and Culture	-	-	-	-	-	-	-	(155)	-	-	-	-	-	-	-		Yes	
		-	-	09 382	92 401	66 631	-	10 613)	31 188)	17 751)	35 716)	-	2 986	-	-	-			

Refer to Note 19 where reconciliation done for each grant.